



Minutes of SPECIAL MAYOR AND COUNCIL Meeting

Approved by Mayor and Council
on March 7, 2017.

Date of Meeting: June 7, 2016

The Mayor and Council of the City of Tucson met in special session in the Mayor and Council Chambers in City Hall, 255 West Alameda Street, Tucson, Arizona, at 9:17 p.m., on Tuesday, June 7, 2016, all members having been notified of the time and place thereof.

1. ROLL CALL

The meeting was called to order by Mayor Rothschild and upon roll call, those present and absent were:

Present:

Regina Romero	Council Member Ward 1
Paul Cunningham	Council Member Ward 2
Karin Uhlich	Council Member Ward 3
Shirley C. Scott	Council Member Ward 4
Richard G. Fimbres	Council Member Ward 5
Steve Kozachik	Vice Mayor, Council Member Ward 6
Jonathan Rothschild	Mayor

Absent/Excused:

None

Staff Members Present:

Michael J. Ortega	City Manager
Michael Rankin	City Attorney
Roger W. Randolph	City Clerk

2. FINANCE: FINAL BUDGET ADOPTION FOR FISCAL YEAR 2017

Mayor Rothschild announced City Manager's communication number 211 dated June 7, 2016, was received into and made part of the record. He asked the City Clerk to read Resolution 22564 by number and title only.

Resolution No. 22564 relating to Finance; finally determining and adopting estimates of proposed expenditures by the City of Tucson for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017, declaring that together said expenditures shall constitute the budget of the City of Tucson for such Fiscal Year and declaring the 5 year Capital Improvement Program (CIP) has been approved with the first year of the CIP being adopted as part of the aforementioned budget.

It was moved by Council Member Cunningham, duly seconded, to pass and adopt Resolution 22564, approving the Budget for Fiscal Year 2017.

Council Member Romero stated she had asked the City Manager, regarding the use of the hotel surcharge and how the City could potentially demonstrate that there was a return on the investment. She said she also asked the same thing about transit to ensure there was some sort of demonstration on the use from the funds received either for infrastructure, road repair, landscaping, and beautification for the only resort, Star Pass, in the City of Tucson. She said one of the issues brought forth from residents in the area and the general manager from Star Pass was the condition of the roadway and how the City of Tucson maintained the area; including lack of landscaping and beautification. She added the resort was beautiful and also produced revenue which went into the general fund.

Michael J. Ortega, City Manager, brought forth the idea to designate a portion of the surcharge for civil infrastructure/public infrastructure; agreeing that the area Council Member Romero was referring to was in dire need of being addressed. He stated the road all the way from the freeway was in terrible shape, the roadway was not part of Prop 409 or the Regional Transportation Authority (RTA).

Mr. Ortega advised if the Council approved it, he could work towards identifying an amount for the repairs. He said his recommendation for the project was around two hundred thousand dollars from the surcharge that could be allocated directly to the Tucson Department of Transportation (TDOT) specifically for improvements to the roadway to Star Pass. He said his apprehension with expanding the funds city-wide was that it was very difficult to identify specific infrastructure.

Mr. Ortega said it was difficult to say where funds should be allocated because there were roads all across Tucson that were falling apart. Certainly, some funds could be allocated to some of the hotel areas in the district and he would work with the staff on repairs and a list of the projects. He said the two hundred thousand dollars would be taken from the \$3.7 million project list.

Council Member Romero additionally inquired about fare increases for the transit system and how the City could show the residents and transit users they were reinvesting back into the transit system. She said it was not just specific to 22nd Street, but the possibility of working with TDOT and Environmental Services on the Clean Cities/Streets type of concept and working together to ensure there was some return.

Mayor Rothschild requested that before beginning conversations on the \$3.7 million and priority list, he said he thought a solution had come about after a conversation with Brent Deraad, Visit Tucson President and CEO, to essentially increase the funding that Visit Tucson was getting, in conjunction with the City. He suggested having a conversation with Visit Tucson as to where the additional funds would be allocated.

Mr. Ortega stated that when he had first brought forth the recommended budget to the Mayor and Council, he had recommended a six hundred fifty thousand dollar cut to Visit Tucson. However, he said he gave the option of the surcharge to assist with that. He said in his conversations with Mr. Deraad, he was concerned with the cut back on the City's efforts on tourism.

Mr. Ortega commented he would recommend investing the dollars but work with them to identify what locations within the community would be impacted. He asked the Mayor and Council to keep in mind that it did not have to be designated for a certain amount, he offered to come back with a plan and look at where within the areas Council Member Romero mentioned, as well as get a variety of different things, and in conjunction with the Tucson Chamber of Commerce for the improvements being made on "Hotel Row" on Tucson Boulevard.

Mr. Ortega said there was opportunity to work with Visit Tucson; however if the Mayor and Council was interested they needed to identify that this was a source and again, his suggestion was for not more than two hundred thousand dollars, as well as, a time limit of 3 years and not an indefinite time frame.

Council Member Uhlich referenced the testimony and the surcharge and inquired if it had been extended and made clear to the internet travel sites that the occupancy charges for transient rentals, also applied to vacation rentals. She stated those sites collected taxes and remit them to localities.

Mr. Ortega replied that reaching out to the sites had not been done at this point.

Council Member Uhlich questioned if there was any reason why the surcharges and bed taxes would not be collected and imposed by those entities.

Mr. Ortega answered the proposal states anyone who operates a transient bed will be charged.

Council Member Uhlich stated it was very important that anyone who lives on those websites could dramatically increase the revenues generated. Her suggestion was

rather than a partnership with Southern Arizona Legal Aid (SALA) to pursue a friendly lawsuit; maybe the partnership would make sure that the whole of the industry was captured. She said she had heard that most people who engaged in this activity stated they did not want to be regulated necessarily, but there was no reason why the taxes should not be imposed

Mayor Rothschild said this topic would be revisited because of a state law that had just passed and questions remained regarding collection and enforcement. He said he felt the City intended to be robust about the collection of the funds.

Council Member Uhlich assured that if the City notified the websites, they would be the collection arm because that was a commitment the internet travel sites performed within their own practices. She said she raised that topic to say that she would support the motion to proceed with the budget, and said she thought there was room for discussion that as the City saw revenues being collected, meeting budget targets, then this could be revisited.

Council Member Uhlich said with regards to transit, she knew the City had a budgeted revenue target and that was a separate process with transit. She said she wanted to make sure that they looked into Park Tucson as a part of the budget discussions, but she was going to raise that question continually about that enterprise and how parking, transit planning, and budgeting could be integrated. She stated she wanted to have it bookmarked in the current budget adoption that the figures were there, but she would be looking for integration with parking infrastructure as well as transit needs and infrastructure.

Mr. Ortega stated there was a budgeted revenue amount for the surcharge of \$3.7 million and if that looked good throughout the year, he would bring the discussion back regarding the terms of some of the investments. He asked the Mayor and Council to keep in mind that as he went through the process, this revenue was needed for the general fund as part of the general fund was the City's efforts on tourism and economic development.

Mr. Ortega said he believed there was a potential argument to be made there that those dollars were going towards that effort. He said with regards to Park Tucson, discussions were being held at the end of the month on a bigger scale of where the City was headed with the revenues being collected, and would return later for additional conversations with the Mayor and Council.

Council Member Cunningham said there were a few things he had concerns about when this was brought up previously regarding the surcharge. He stated there were seven hotels in Ward 2, and another four that were in close proximity. He said he spoke with some of the operators and Visit Tucson and was under the impression that the hotels were not necessarily excited about the surcharge but understood it. He said he ventured to say that there had been other discussions about other things where these funds could be used and had not shared them with Visit Tucson.

Council Member Cunningham said he did not want to be in a situation where the City was counting on the \$3.7 million in the next 5 years. He said he would like to try to get it lower, ride it out, or lower the surcharge to one dollar and use the dollar for something else, which was his ultimate goal.

Council Member Scott commented if there was going to be something put on the table about enhancing the entry way to one of the larger resorts, she wanted to say that anyone coming from the airport and driving down Kolb, to the side of the newly paved road, would see the lack of landscaping and the deteriorated vision of what used to be a honeycomb kind of structure that did not work as well as some other retaining pieces of cement which were falling gave the impression to people, seeing Tucson for the first time, wondering where they were. She suggested that if the City was going to make beautification improvements to she recommend people drive down Kolb and take a look at the road.

Council Member Fimbres added that the roads were the gateway to downtown and further east on Valencia where Home Goods and FedEx were opening up, the first thing that happen to drivers is that they encounter big potholes.

Mayor Rothschild responded by saying that Valencia Road was scheduled under the Prop. 409 improvements scheduled for August or September.

Mr. Fimbres countered that Home Goods would be opened before that.

Council Member Romero stated she had a question regarding the Tucson Water (TW) lawsuit that the City had with the Air Force and the funds that were being paid back to Tucson Water. She said she wanted a response as to what the funds were being used for.

Mr. Ortega advised it was reviewed in Study Session and appreciated her question. He went on to say that Tucson Water's budget included \$4 million this year, with other dollars programmed in future years. Basically, TW took money from the settlement and built it into their budget over the course of a few years. He said he also asked TW to set aside half for potential general fund use in the not too distant future and said the Mayor and Council were provided with a spreadsheet with how that could work.

Mr. Ortega said he did not have absolute clarity on the City's ability to use those dollars for the general fund yet. He said the funds had not yet been built into the budget by design; he set it aside for when he had the clarity as to what the funds could be used for and would bring the ideas back to the Mayor and Council. He said his recommendation, more than likely, was for vehicles and equipment outlined in the spreadsheet. He said it was by design that it was not in the budget because he did not have clarity at this time.

Resolution 22564 was passed and adopted by a roll call vote of 7 to 0.

3. ADJOURNMENT: 9:37 p.m.

Mayor Rothschild adjourned the Special Meeting and reconvened the Regular Meeting.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATE OF AUTHENTICITY

I, the undersigned, have read the foregoing transcript of the meeting of the Mayor and Council of the City of Tucson, Arizona, held on the 7th day of June, 2016, and do hereby certify that it is an accurate transcription.

DEPUTY CITY CLERK

RWR:km:agj